MONTHLY REPORT

4-5/2015

Note: This Report is classified and isn't transferable.

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TO OUR SHAREHOLDERS

Highlights

In April & May Reporty team was mainly focused on the following:

Establishment of a new office: in April 26th the company signed a contract with Dundee investment for the offices, the renovating period was 1.5 weeks and we moved in at May 4th, the office was totally empty when we received it.

Public Relations: The main 2 goals of the PR were (We started the PR at 14.4.15 immediately after 'Pesach'):

1) Entering the crowd consciousness – Was very effective - we got amazing PR coverage, every candidate that was interviewed heard and read the articles about Reporty and the Buzz was very effective. It helped the company in many places (Receiving good prices from suppliers, getting attention from large enterprises & municipalities, recruiting employees and more).
2) Block competitors – Was very effective - Many organizations in Israel and worldwide heard about Reporty thanks to the PR. We reached many countries such as: Australia, U.S.A, London, Turkey and more! Potential partners & many municipalities contact Reporty after the PR in order to hear more about our solutions.

Recruitment: After the PR we received dozens of CV, our recruitment process is divided to 4 stages:

1) HR interview (Face 2 Face or by phone call)
2) Technical interview
3) PC exam
4) Final review

We met for technical review with around 30 candidates, 10 of them were good enough to continue to the PC exam. We are in the final stage of recruiting the missing 2 people (IOS, C/C++ Java R&D). At this stage we can't compromise on recruiting non-expert developers – dead line end of June.

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Development: Simultaneously, Reporty team is primarily focused on the development. In the last 2 month Reporty did an important step in the technology development that was born as an outcome from our pilot summary in Ashdod. We realized that the internet communication (Video & Audio) isn't strong and reliable enough (worldwide) when speaking of transmitting Emergency situations. We started a research of a new method that will combines regular phone call together with video and data transmission **but in two different channels (Sip protocols)**. This solution is much more stable and it will serve the company in many layers especially in the pre-sale stage. For more info please read the Tech section at page 6.

Patent application: In addition to our current PCT'S, we checked if our new development is existing somewhere around the world and surprisingly the answer is NO, which means it is patentable (we already start a deep research process with our patent attorneys).

Business Development: We invited all the companies (Motorola, IBM, Microsoft, Nice, Afcon and more) to visit our offices in order to give them a short brief about our current status and to check an opportunity for integration. We are in a very close relationship with Motorola Solutions and with Afcon – Both want to integrate with Reporty in order to give their clients the ability to use our solution. The business model with those companies needs to be: We are selling the system at X to the municipality and they are getting 1/3X (For example). With Afcon we are operating in Netanya municipality (we had a great meetings together), with Motorola we are checking a few places (Givataim, Eilat, educational institute hospitals and more). We gave Motorola a price quote for **1500 devices** that will be installed in educational institutes in Israel. We are considering now 2-3 'Premium' municipalities that would get a Greenfield solution for 3 month for free Option for fast market penetration).

Singapore: We met Zion Sapir (Pinchas connection) he presented Reporty to NCS CEO – They want us to present the product in order to be a part of their offer in the next tender (August 2015).

Fire Department: We continued the process with the fire department, their Security expert approved our architecture and we are going forward with them.

Municipalities: Approach 18 new local authorities, we introduced Reporty as the next generation solution for the safe city projects. Intro materials are sent to the mayor and we

are waiting for response in order to schedule a meeting and present the system. In addition we are in a close relationships with Ra'anana, Netanya, Ashdod, Tel Aviv and Jerusalem.

Prof. Henning Schulzrinne: We contacted Prof. Henning Schulzrinne, he was the CTO of the FCC. Prof. Schulzrinne is part of the Columbia Computer science department and he is well known in the E911 and the NG911 industry. I sent him a request via linkedin and Prof. kaminka contact him – we are arranging a conference call probably in the next few weeks in order to get more inside information regarding the 911 systems. **We need to consider those kind of people to be a part of our advisory board.**

Product & Design (UX/UI) : We did a few focus groups (1:1 and with groups), the main goal was to expose the application to people that never saw it before and to get feedbacks regarding the usability, Comfort-ability and the design. In addition we met 2 experts: Dr. Yacov Grinshpan and Dr. Manor – Both are expert in user experience and human behavior. Dr. Manor also did his doctoral thesis on ' Human under threats ' and how they react under stress – it was a very helpful meeting. After dozens of meeting regarding the App design (UX/UI wise) we have our Beta design ready for production. The next UX/UI will check how people are acting and using Reporty app under stress (we will try to simulate Stressful events).

Non-diluted funds: We did a research regarding those funds, to summarize – there is 2 main lanes:

1) Horizon 2020 - SME lane (EU Fund – 80B$ - 10% Successes rate – long process – too much effort for now).

2) Israeli Chief scientists – 65% Successes rate – 3-4 month process – much easier to receive money (up to 50% of the R&D Costs + 20% overheads) – For more info regarding the Israeli Chief Scientists please check: 150602_israeli_chief_scientist attached to the email (I've summarized the most relevant issues).

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Note: There were many more things that has been done in those 2 month, but those are the main issues.

Financial Highlights

Reporty major costs at the first 2 month were: Lawyers (173,148 Nis Not including Vat) Finder's fee (~100,000 Nis not including Vat) Computing (~80,000 Nis) and salaries (~207,504 Nis) including accountant & monthly retainer for Yoel. We are standing in our business plan goals.

Our monthly burn rate is pedantry linked to our confirmed business plan and according to our recruiting process. Our burn rate in June will be ~185,000 Nis and in July hopefully ~240,000 Nis. (9 full time employees – 5 Developers, 2 Designers, 1 Business dev and CEO).

Bank balance (1/6/2015): 2,366,241 Nis + 245,800$ (Before VAT returns).

		Apr-15		May-15		Jun-15	
		Plan	Actual	Plan	Act	Plan	Act
Revenue	[NIS K]	-		-		-	
Man Power	[NIS K]	-	69	198	101	198	-
	%						
SG&A	[NIS K]	346	295	74	49	77	-
	%						
Other cost	[NIS K]	-	-	-	-	-	-
Fixed assets	[NIS K]	160	27	-	32	-	
Total loss	[NIS K]	(506)	(391)	(273)	(150)	(275)	-
Investment	[NIS K]	3,968	3,968	-	-	-	-
Total loss accumulate	[NIS K]	3,462	3,577	3,189	3,427		
End Cash Balance	[NIS K]	2,612	2,612	2,366	2,366		
	[$ K]	246	246	246	246		
Man power	R&D	2	2	2	2	5	4
	G&A	3	3	3	3	3	3

Technological

1. Research and Technology evaluation:

    a. PBX – We have researched the PBX field and started a process with Bezeq, Partner, GreenfieldTech and Voicenter. We are progressing with them towards a Demo on premises after which we will choose the company with the most robust and cost-effective solution. We will continue to an operational deployment with the chosen company.

    b. SIP – We are evaluating SIP libraries which we will use in Android and iOS. The most promising are PJSIP and LinPhone libraries which we have tested and received pricing for. We will implement the chosen SIP library in Android and iOS platforms which will enhance our VoIP solution by reducing latency and removing echo in the stream, also the SIP protocol will allow us to integrate to existing PBX systems in the authorities in the hybrid deployment scheme.

    c. Video Streaming – The RSL(Reporty Streaming Library) has been written for the desktop clients (C2I and Operator) which allows receiving a low-latency video H.264 encoded stream by thus replacing the older Xuggler Library and reduces the stream latency and also replaces the GPL license to an LGPL license in the C2I and Operator modules. Also the library will be used for quick integration with authorities since the library could provide video streaming capabilities to the authority once quickly integrated in the authority systems thus reducing integrations times.

2. MDA Integration: We met MDA development team and together we designed the new solution architecture in MDA systems. MDA is continuing with Reporty module implementation and integration. On our side we have finished writing the REST API between Reporty and MDA – the API has been tested locally and we will run integration tests with MDA after they will finish implementing the Reporty module in MDA systems.

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Summary:

In the next month Reporty team will be focused on:

1) Business: Continue the corporation with the Israeli law enforcements and the Israeli municipalities. Continue the corporation with Motorola and Afcon, and keep exploring new business opportunities such as: Partner, united hazala, Microsoft, Singapore, United States, China, etc.
2) Development: Finish installment of the PBX & SIP servers on premises (Integration with providers – Bezeq, Partner). Choose and implement SIP client for android and iOS. Development of RLS Streaming Library for desktop side (Operator and C2I). Continue working on the mobile client side.
3) Recruiting: Hire 2 more developers (IOS, C/C++ Java R&D) And 1 Junior designer.
4) Financial: Expected burn rate in June ~ **185,000 Nis** (According to our business plan).

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